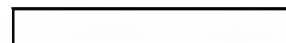


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CENTRAL INTELLIGENCE BULLETIN



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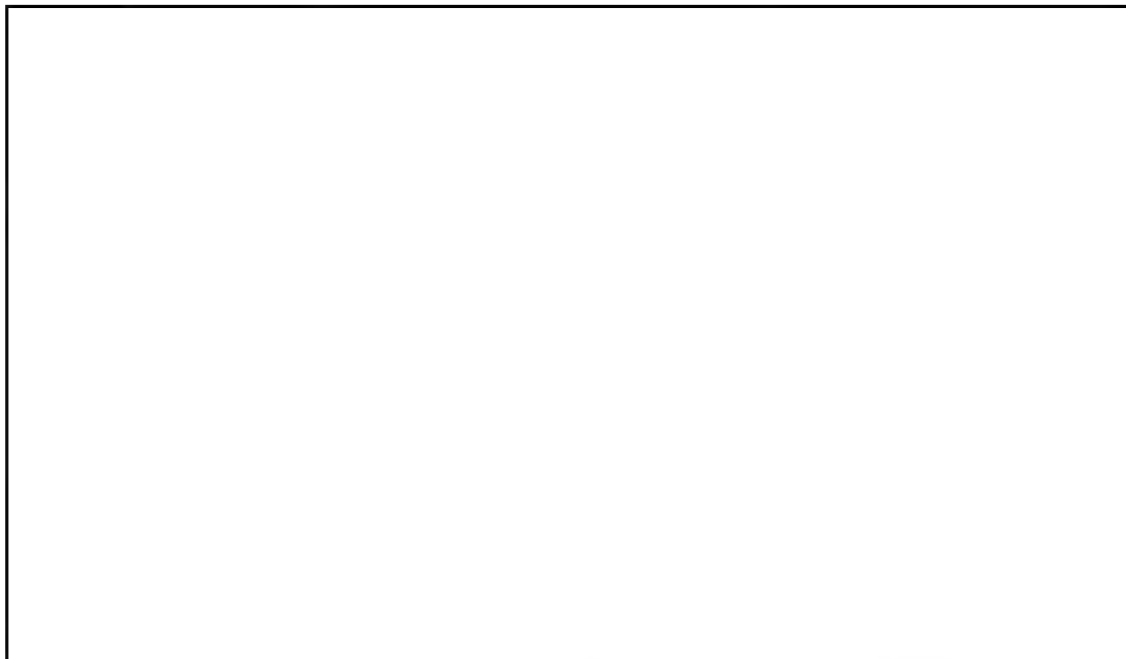
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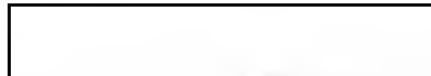
CENTRAL INTELLIGENCE BULLETIN

CONTENTS

25X1



5. South Korea: Chang Myon government, plagued with economic problems and corruption, failing to gain wide support. (*Page iii*)
6. Arab League: Surface unity of meeting which ended on 4 February covers continuing differences among league members. (*Page iv*)
7. Italy: Breakdown of talks with Austria over South Tirol may threaten Fanfani cabinet. (*Page iv*)
8. Dominican Republic: Government is reportedly bankrupt as result of Trujillo's long-continuing transfer of funds and investments abroad for his own use. (*Page v*)



25X1

Next 1 Page(s) In Document Exempt

South Korea: The recent reshuffle of the cabinet, which brought five new ministers and four vice ministers into the government, is an attempt of the Chang Myon administration to rally more parliamentary support. Popular expectations were high following the ouster of Syngman Rhee last April, but the Chang Myon government, beset with factionalism and corruption and handicapped by a demoralized police establishment, has not shown the dynamic leadership needed to gain popular support. Popular demands for reprisals against those associated with the Rhee regime has led to ex post facto legislation. Action under these laws could exclude from public life large numbers of the limited supply of trained personnel.

OK

With an assist from a heavy propaganda barrage from the North, the belief is spreading, particularly among younger

6 Feb 61

DAILY BRIEF

iii

25X1

25X1 intellectuals, that some accommodation with North Korea offers the solution to South Korea's chronic economic difficulties. Student elements, despite South Korea's continued strong friendship for the United States, are also beginning to blame their country's difficulties on its close ties with the US. [REDACTED]

Arab League: The Arab League, which ended its foreign ministers' conference in Baghdad on 4 February, was again able to create a semblance of unanimity only by approving resolutions concerning opposition to Israeli activities, support for the Algerian rebels, and agreed Arab candidates for UN positions. Five of the 16 resolutions were related to Israel. Continuing intra-Arab differences were reflected in the resolution, which again postponed action on amending the League charter to reduce Nasir's dominance. These differences are also reflected in the resolution, which recommended that the Casablanca Conference resolutions merely be conveyed to those Arab governments which had not participated in that conference, instead of approving Nasir's role at Casablanca by endorsing the resolutions. According to a report by Radio Baghdad, the Arab states renewed the oft-broken resolution to suspend radio and press attacks against each other. The important development of the meeting seems to have been the return of Tunisia to active participation. OK

25X1 Italy: The breakdown of Italo-Austrian negotiations over the status of the German-speaking population in the South Tirol area of northern Italy has resulted in some local violence and poses a further threat to the stability of the Fanfani cabinet. Bomb explosions of anti-Italian character have taken place in the South Tirol, while students in Rome--encouraged by neo-Fascists--staged several days of anti-Austrian demonstrations which on 4 February took an antigovernment turn. Although Fanfani won parliamentary approval on 4 February

6 Feb 61

DAILY BRIEF

iv

TOP SECRET DINAR

for his handling of the dispute, the conservative Italian Liberal party has long been uneasy over the domestic policies of his government and may still be tempted to use Fanfani's allegedly "soft" approach on the South Tirol issue as a pretext to dump him. [REDACTED]

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Dominican Republic: Trujillo's continuing transfer of his own and the government's assets into dollars and investments abroad has been on such a "fantastic" scale that the regime is now bankrupt, [REDACTED]

25X1

Trujillo is probably expecting economic improvement from the current sugar crop--much of which he stands to sell at premium prices in the US market under the present legislative reallocation of the former Cuban sugar quota. [REDACTED]

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6 Feb 61

DAILY BRIEF

v

25X1

Next 10 Page(s) In Document Exempt

South Korean Problems

Since his election by a bare legislative majority last August, Prime Minister Chang Myon has gradually consolidated power by easing factional opponents from the ruling Democratic party and the government, and has increased his support in the 233-member lower house from 118 to 127 seats. Although internal maneuvering against Chang is likely to continue, the new cabinet appointments are aimed at restoring party harmony and securing the passage of the supplementary budget later this month.

The public has been willing to reserve judgment until Chang has had an opportunity to prove himself. However, there are signs of growing impatience with the failure of the administration to satisfy the expectations generated by the April revolution against Syngman Rhee. An increasing number of South Koreans are coming to believe that only unification will solve their economic problems.

South Korea, which has over two thirds of the Korean population but few basic resources, is dependent on the United States for more than 50 percent of its budget and about 90 percent of its imports. Cut off from the Communist-controlled industrial North and saddled with a huge defense burden, South Korea is unlikely to achieve a viable economy soon.

The Chang government, aware of the dangers, has undertaken a series of economic reforms. The effect of these, however, is undermined by factionalism within his party and irresponsible opposition attacks. Unless the administration can win wide public confidence before spring, when food will be in even shorter supply, students and others may again take to the streets. In the event of large-scale disorders, the army may not react with the same restraint and unity it displayed last April.

After years of inconclusive negotiation regarding Italian implementation of the Italo-Austrian pact of 1946--providing special rights for the inhabitants of the former Austrian South Tirol--Austria brought the issue to the UN General Assembly last fall. In line with a UN recommendation, the two countries undertook new and high-level negotiations on 26 January, but the talks broke down after two days. Italy had offered greater administrative powers for Bolzano Province--the heart of the German-speaking area--but Austria had insisted on a kind of local autonomy similar to that of the Italian region of Sicily. This would have required legislative changes.

25X1 [An Italian delegate who participated in the abortive talks has told US officials that Rome is in "no hurry" to admit that further talks "are hopeless." The government apparently intends to maintain a public posture of holding the door open for further talks while maintaining the status quo in the area.]

[If the Liberal party--which fears Premier Fanfani will form a center-left reformist government dependent on Nenni Socialist parliamentary support--withdraws from the coalition that supports Fanfani's minority all - Christian Democratic cabinet, the government will be brought down. Discussing the general outlook for the government a few days ago, the secretary of the Christian Democratic party said the situation has become unstable. Although hopeful of saving the government, he spoke of its continued existence in terms of months and weeks.]

25X1 The neo-Fascist Italian Social Movement, with its prestige revived as a result of having been the sole parliamentary supporter of the Tambroni Christian Democratic government last year, is trying to exploit the situation. The neo-Fascists may provoke further anti-Austrian demonstrations in Rome and probably hope that new clashes will occur in the South Tirol which will require disciplinary measures and draw Italian troops to the area. []

The Dominican Republic's Economic Situation

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The 24 January decree naming Generalissimo Trujillo "President of the State Banks" and coordinator of a wide range of institutions dealing with most phases of the country's economic and financial life coincided with reports [redacted] [redacted] that the dictator's financial manipulations had brought the regime to the point of bankruptcy. On 27 January, [redacted] [redacted] there were virtually no funds left to run the government.

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Trujillo's tightened control over the country's economy will enable him better to cover up his recent depredations and mismanagement and to continue to siphon off the country's wealth. During the past 30 years he has amassed a fortune estimated at between \$500,000,000 and \$800,000,000 and gained personal control over a large portion of the country's agricultural and industrial enterprises. Over the past 13 years all but one of the top officials of the Central Bank have been denigrated and made scapegoats for the government's economic and financial decline.

Few knowledgeable Dominicans interpret Trujillo's financial moves as evidence that he is preparing to flee the country soon--though provision for such a possibility is one of the motives for his transferring large amounts of assets abroad. In fact, Trujillo's present political activities--such as his campaign to pressure the Catholic Church into conferring on him the title of Benefactor of the Catholic Church--suggests that he feels confident of his position.

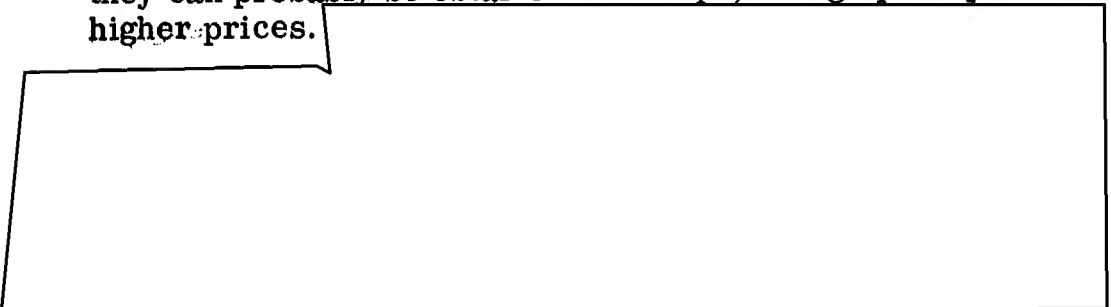
The controlled press and radio claim to see reason for hope that the new US administration will reverse the previous one's "disastrous" policy of joining in the OAS' diplomatic and economic sanctions against the Dominican Republic. Trujillo's lobbyists in the United States have been actively promoting the contention that recent US policies have been pushing the country toward the Sino-Soviet bloc--a contention that the vindictive Trujillo has himself attempted to prove by instructing his propaganda media to engage in

pre-Castro and pro-Soviet diatribes and by actively seeking political and economic ties with the Soviet bloc.

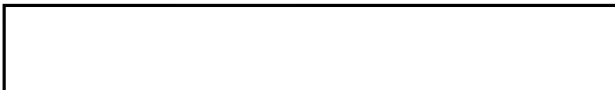
Trujillo's main hope of early improvement in the economic situation lies in the sugar crop now being harvested and in the maintenance of existing legislative arrangements governing its marketing in the United States. Under a law which expires on 31 March, the Dominican Republic obtains more than 200,000 tons of the former Cuban sugar quota with its premium of more than 2.5 cents per pound over the world price, in addition to the same premium on the long-standing Dominican sugar quota.

US officials in Ciudad Trujillo report that both the regime and the dissident elements view congressional action on the "windfall quota" as the critical test of US policy toward Trujillo, and that the reaction of the dissidents will be strongly adverse to the US if the "windfall" is continued.

Trujillo has met with at least preliminary success in his effort to circumvent the embargo on sales of petroleum, petroleum products, trucks, and truck spare parts to the Dominican Republic voted by the OAS on 4 January. Oil companies operating in the country have assured him that they can probably be obtained in Europe, though perhaps at higher prices.



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